



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-9034
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Justin P. Wilson
Comptroller

March 29, 2010

The Honorable Randy McNally, Chairman
Senate Finance, Ways and Means Committee
Room 307 War Memorial Building
Nashville, Tennessee 37243-0205

and

The Honorable Craig Fitzhugh, Chairman
House Finance, Ways and Means Committee
33 Legislative Plaza
Nashville, Tennessee 37243-0182

Dear Chairmen:

Pursuant to Section 9-4-5202, Tennessee Code Annotated, the State Funding Board secures a report of the estimated growth rate of the State's economy from The University of Tennessee's Center for Business and Economic Research ("UT-CBER"). The Board finds that the reported estimates of growth rate for calendar year 2010 at 2.10% and for calendar year 2011 at 3.51% does not appear unreasonable.

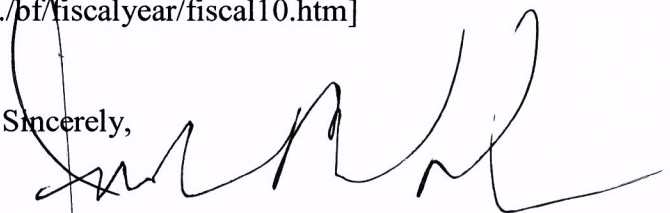
A copy of UT-CBER's report dated March 24, 2010 is attached ("Report"). Pursuant to Sections 9-4-5201 and -5202, Tennessee Code Annotated, the estimate rate of growth in the State's economy is to be based on the projection of growth of personal income derived from the Tennessee Econometric Model. The Report provides growth rates for calendar years 1977 through 2011; rates for years 1997 through 2019 are included within the broader economic forecast in the Economic Report to the Governor, dated January 2010. The Economic Report to the Governor ("ERG") currently can be found on UT-CBER's website [<http://cber.bus.utk.edu/erg/erg2010.pdf>]

The statute directs the Board, upon receiving the Report, to determine the reasonableness of, and to comment on, the estimated growth rate. Also, the Board is directed to obtain a list of state tax and non-tax revenue sources as approved by the State Attorney General, dated March 15, 2010, a copy of which is attached.

In order to reach a conclusion as to reasonableness of the estimate, on March 24, 2010 the Board met to discuss the estimate and the economic forecast from which it was derived. The Board was assisted in the effort by a staff paper dated March, 2010 prepared by Mr. Ronald H. Queen, Manager of Local Finance, Division of Local Finance, and by Mr. Keith Boring, Associate Legislative Research Analyst, Office of Research, both with the Comptroller of the Treasury. This staff analysis, attached for your information, reviews various economic forecasts, other economic trends, and historical Tennessee growth. Staff noted that on a fiscal year basis the ERG reports nominal personal income in Tennessee will grow by 2.8% in 2010-2011.

After carefully reviewing the report and staff paper and discussing the forecast as reported in the ERG dated January 2010, the Board has directed me to convey to you our determination. This letter and the attachments will be posted on the Comptroller's website under "Investor Information", "Investor Updates- FY 7/1/09-6/30/10".
[<http://tn.gov/comptroller/shared/disclaimer.htm?t=../bf/fiscalyear/fiscal10.htm>]

Sincerely,



Justin P. Wilson, Secretary
Tennessee State Funding Board

Attachments (3)
JPW:avb